

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 H-01 L-03 PA-01  
SP-02 ICA-11 AID-05 EB-08 NSC-05 SS-15 STR-07  
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-10  
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /117 W  
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P 050545Z JUL 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC PRIORITY 7971

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USADB

PASS TREASURYDEP FOR SHERK

EO 11652:NA  
TAGS: EAID, EFIN, ADB  
SUBJECT: REORGANIZATION OF ADB'S OPERATIONAL FUNCTIONS

SUMMARY: ADB PRESIDENT HAS ASKED FOR CONSIDERATION OF BOARD OF DIRECTORS TO HIS PROPOSAL TO RESTRUCTURE OPERATIONAL FUNCTIONS OF BANK WITH IMPLEMENTATION STARTING WITH EFFECT FROM AUGUST 1. PROPOSAL APPEARS GENERALLY ACCEPTABLE TO BOARD OF DIRECTORS. HOWEVER, BOARD WILL LIKELY WANT HEAD OF NEWLY PROPOSED POST-EVALUATION OFFICE TO BE UPGRADED BEYOND WHAT MANAGEMENT PROPOSES. NAC GUIDANCE IS REQUESTED. END SUMMARY.

1. ADB MANAGEMENT HAS ISSUED ADB DOC. EX/R1-78 ENTITLED "REORGANIZATION OF THE BANK'S OPERATIONAL FUNCTIONS." DOCUMENT WAS POUCHED STATE/AID AND TREASURY JUNE 26 AND WILL BE CONSIDERED BY BOARD OF DIRECTORS ON JULY 13. PAPER REVIEWS EXISTING ORGANIZATIONAL ARRANGEMENTS COVERING BANK'S OPERATIONAL FUNCTIONS AND PROPOSES SEVERAL  
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CHANGES TO IMPROVE BANK'S OPERATIONAL FUNCTIONS WHICH WOULD BE IMPLEMENTED STARTING WITH EFFECT FROM AUGUST 1, 1978.

2. LAST MAJOR REORGANIZATION OF OPERATIONAL FUNCTIONS WAS CARRIED OUT IN MAY 1974. IT PROVIDED FOR A CLEARER DIVISION OF WORK BETWEEN OPERATIONS AND PROJECTS DEPART-

MENTS AND FOR INTEGRATION OF LOAN ADMINISTRATION INTO PROCESS OF WORK OF THE THEN NEWLY CREATED PROJECTS DEPARTMENTS I AND II WHICH REPLACED THE FORMER SINGLE PROJECTS DEPARTMENT. SUBSTANTIVE STRUCTURE HAS REMAINED BASICALLY UNCHANGED. BANK'S ASSESSMENT OF PREVIOUS ORGANIZATION CHANGES SUGGESTS NEED FOR CERTAIN CHANGES IN BANK'S OPERATIONAL FUNCTIONS.

3. FOLLOWING ORGANIZATIONAL CHANGES ARE BEING PROPOSED:

- A. REMOVAL OF RESPONSIBILITY FOR POLICY AND PLANNING FROM EXISTING OPERATIONS DEPARTMENT AND PLACING IT IN A NEWLY-DESIGNATED DEVELOPMENT POLICY OFFICE. NEW OFFICE WOULD BE MAINLY RESPONSIBLE FOR POLICY FORMULATION AND REVIEW, FORMULATION OF LONG-RANGE OPERATIONAL PLANS, EVALUATION OF WORK PROGRAMS, IDENTIFYING NEW DIRECTIONS AND APPROACHES FOR BANK OPERATIONS, AND REVIEWING BANK'S OPERATIONS IN TERMS OF THEIR RESULTS AND IMPACT. IT WOULD ALSO BE RESPONSIBLE FOR INTER-AGENCY COOPERATION POLICIES AND WOULD MAINTAIN CONTACT WITH OTHER ORGANIZATIONS ON DEVELOPMENT POLICY ISSUES.
- B. RENAMING OF OPERATIONS DEPARTMENT TO AREA DEPARTMENT, WHICH WOULD BECOME MAINLY RESPONSIBLE FOR BANK'S OPERATIONAL AND WORK PROGRAMS, INCLUDING THEIR IMPLEMENTATION AND MONITORING, COUNTRY-ORIENTED ACTIVITIES SUCH LIMITED OFFICIAL USE

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AS PROJECT IDENTIFICATION, PROCESSING OF LOAN AND TECHNICAL ASSISTANCE PROJECTS IN COLLABORATION WITH PROJECTS DEPARTMENTS, PREPARATION OF COUNTRY ECONOMIC REPORTS AND COUNTRY PROGRAM PAPERS, INTER-AGENCY PROGRAM DISCUSSIONS AND GENERALLY CONDUCTING BANK'S OPERATIONAL RELATIONS WITH INDIVIDUAL DMCS.

- C. CREATING -- IN PLACE OF EXISTING PROJECTS DEPARTMENTS I AND II -- THREE PROJECTS DEPARTMENTS AND A CENTRAL PROJECTS SERVICES OFFICE:
  - I. AGRICULTURAL AND RURAL DEVELOPMENT DEPARTMENT WOULD HAVE FIVE DIVISIONS: GENERAL AGRICULTURE; RURAL DEVELOPMENT AND AGRICULTURAL CREDIT; IRRIGATION I AND II (DIVIDED ON GEOGRAPHICAL BASIS TO ACCOMMODATE PRESENT SIZE AND PROSPECTIVE INCREASE IN SUCH ACTIVITIES); AND FISHERIES AND LIVESTOCK.
  - II. INFRASTRUCTURE DEPARTMENT WOULD HAVE FOUR DIVISIONS: AIRPORTS AND HIGHWAYS; PORTS, RAILWAYS AND TELECOMMUNICATIONS; WATER SUPPLY; AND SOCIAL INFRASTRUCTURE.

- III. INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT  
WOULD HAVE FOUR DIVISIONS: INDUSTRY AND MINERALS; POWER;  
AND DEVELOPMENT BANKS I AND II (ALSO TO BE DIVIDED ON  
GEOGRAPHICAL BASIS).

4. A NEW INDEPENDENT CENTRAL PROJECTS SERVICES OFFICE  
WOULD ABSORB CURRENT ACTIVITIES OF LOAN ADMINISTRATION  
UNIT AND CONSULTING SERVICES DIVISION (REGARDING LOAN  
ADMINISTRATION, PROCUREMENT AND SELECTION OF CONSULTANTS)  
AND WOULD HAVE AN EXPANDED CENTRAL ROLE IN PLANNING,  
MONITORING AND REVIEWING PROJECT SUPERVISION AND LOAN  
ADMINISTRATION. ALSO, IT WOULD SERVE TO IDENTIFY THE

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P 050545Z JUL 78  
FM AMEMBASSY MANILA  
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C O R R E C T E D C O P Y (TEXT)

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ASSISTANCE NEEDED BY PROJECT EXECUTING AGENCIES IN THE  
DMCS TO UPGRADE THEIR ABILITY TO IMPLEMENT PROJECTS AND  
WILL ORGANIZE SEMINARS, TRAINING COURSES, ETC. MOREOVER,  
THIS OFFICE IS TO BE INDEPENDENT AND TO REPORT TO THE  
VICE PRESIDENT FOR OPERATIONS RATHER THAN BEING ATTACHED  
TO ONE OF THE PROJECTS DEPARTMENTS. LOAN ADMINISTRATION  
UNIT, WHICH WOULD COME UNDER THIS OFFICE, WOULD BE RE-  
NAMED THE CENTRAL LOAN ADMINISTRATION SERVICES SECTION  
AND WOULD BE DIRECTLY UNDER SUPERVISION OF THE HEAD OF  
THE OFFICE.

5. IN ORDER FOR THE POST-EVALUATION FUNCTION TO HAVE QUOTE UNRESTRICTED INDEPENDENCE OF JUDGMENT AND DIRECT ACCESS TO TOP MANAGEMENT UNQUOTE, THIS FUNCTION WOULD BE DETACHED FROM THE ECONOMIC OFFICE AND PLACED UNDER AN INDEPENDENT POST-EVALUATION OFFICE REPORTING DIRECTLY TO THE PRESIDENT. BANK MANAGEMENT CONTEMPLATES HAVING POST-LIMITED OFFICIAL USE

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EVALUATION OFFICE HEADED BY A POST-EVALUATION MANAGER (RANGE V) AND WOULD CONSIST OF PRESENT STAFF COMPLEMENT OF THE POST EVALUATION UNIT IN ECONOMIC OFFICE, NAMELY, FIVE PROFESSIONAL AND FOUR SUPPORTING STAFF. (SEE PARA. 9 BELOW FOR INFORMAL REACTION OF BOARD MEMBERS TO THIS PROPOSAL.)

6. DEVELOPMENT POLICY OFFICE (PARA. 3A ABOVE) IS EXPECTED TO BE A SMALL GROUP HEADED BY AN OFFICER AT DEPUTY DIRECTOR LEVEL (RANGE VI) AND WOULD INCLUDE FOUR PROFESSIONAL AND FIVE SUPPORTING STAFF. DOCUMENT NOTES THAT CONSIDERATION MAY HAVE TO BE GIVEN IN FUTURE TO UPGRADING OFFICE HEAD'S POSITION, DEPENDING UPON SUBSEQUENT INCREASE IN RESPONSIBILITIES AND IMPORTANCE. AREA DEPARTMENT (PARA 3B ABOVE) WOULD BE HEADED BY A DIRECTOR ASSISTED BY TWO DEPUTY DIRECTORS, WHILE EACH PROJECT DEPARTMENT (PARA. 3C ABOVE) WOULD BE HEADED BY A DIRECTOR ASSISTED BY ONE DEPUTY DIRECTOR. CENTRAL PROJECTS SERVICES OFFICE (PARA. 4 ABOVE) WOULD BE HEADED BY A CHIEF PROJECTS SERVICES OFFICER AT DEPUTY DIRECTOR (RANGE VI) LEVEL ASSISTED BY A MANAGER FOR CONSULTING SERVICES (RANGE V).

7. DUE TO CREATION OF NEW DEPARTMENTS/OFFICES AND DIVISIONS, REORGANIZATION WOULD INITIALLY RESULT IN A NET ADDITION OF TEN PROFESSIONAL STAFF AND TEN SUPPORTING (MAINLY SECRETARIAL) STAFF AFTER REDISTRIBUTION OF EXISTING STAFF VACANCIES. FOR THE TIME BEING, THE DEVELOPMENT POLICY OFFICE WILL OPERATE AS PART OF THE AREA DEPARTMENT UNTIL THE OFFICE HEAD AND STAFF ARE APPOINTED. AT THIS STAGE, IT IS CONSIDERED UNNECESSARY TO SEEK BOARD APPROVAL OF ADDITIONAL FUNDS UNDER THE 1978 BUDGET.

8. BEGIN FYI: UP TO TIME OF ISSUANCE OF ADB DOC.  
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EX/R1-78, MANAGEMENT HAD BEEN RATHER VAGUE ABOUT ITS REORGANIZATION PLANS. HOWEVER, DURING AN INFORMAL COFFEE

SESSION CALLED BY THE PRESIDENT ON JUNE 7, BOARD OF DIRECTORS WAS INFORMED THAT PLANS WERE IN FINAL STAGE TO REORGANIZE OPERATIONS AND PROJECTS DEPARTMENTS, WHILE CHANGES IN VICE PRESIDENT'S KATZ'S AREAS OF RESPONSIBILITY (NAMELY, FINANCE AND ADMINISTRATION) WOULD BE DEFERRED UNTIL KATZ HAS A CHANCE TO GET HIS FEET ON THE GROUND. AT THAT MEETING, SEVERAL BOARD MEMBERS TOOK EXCEPTION TO ONE PROPOSAL TO DECENTRALIZE THE PRESENT PROCUREMENT COMMITTEE AND CREATE A COMMITTEE IN EACH PROJECT DEPARTMENT. REVISED PROPOSAL IN BOARD DOCUMENT NOW PROPOSES THAT SUB-COMMITTEES OF PRESENT PROCUREMENT COMMITTEE BE ESTABLISHED TO RELIEVE MAIN COMMITTEE OF A SIZEABLE PART OF ITS PRESENT WORK.

9. ON JUNE 27, BOARD MEMBERS MET INFORMALLY TO DISCUSS MANAGEMENT'S REORGANIZATION PLAN SET FORTH IN DOC. EX/R1-78. INDIVIDUAL BOARD MEMBERS FOUND PROPOSAL GENERALLY ACCEPTABLE. HOWEVER, CONCERNING NEW POST-EVALUATION OFFICE, BOARD MEMBERS FELT THAT OFFICE SHOULD BE UP-GRADED AND HEADED BY AT LEAST A DEPUTY DIRECTOR (RANGE VI) AND NOT A MANAGER (RANGE V). END FYI.

10. USADB COMMENT: USADB STRONGLY SUPPORTS STRENGTHENING OF POST-EVALUATION FUNCTIONS AND TAKING THE PROPOSED UNIT OUT OF ECONOMIC OFFICE. PROPOSAL TO INCREASE PROFESSIONAL AND SUPPORTING STAFF BY TEN MEMBERS DID NOT GENERATE SPECIFIC COMMENT BY BOARD MEMBERS.

11. NAC GUIDANCE IS REQUESTED. EDMOND

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## Message Attributes

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